



City of Detroit

OFFICE OF THE AUDITOR GENERAL

**Audit of the
Communications and Creative
Services Department**

October 2003

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MEMORANDUM

DATE: December 8, 2003
TO: Honorable City Council
FROM: Joseph L. Harris *Joseph Harris*
Auditor General
RE: Audit of the Communications and Creative Services Department
C: Mayor Kwame M. Kilpatrick

Attached for your review is our report on the audit of the Communications and Creative Services Department.

This report contains our audit purpose, scope, objectives, and methodology; background; and the results of our audit. The Communications and Creative Services Department did not provide a written response to our audit prior to the publication date.

The Department staff that we interviewed, worked with, and observed were very cooperative and demonstrated a high degree of professionalism and dedication to the mission of the Department. We appreciate the cooperation and assistance that we received from the employees of the Communications and Creative Services Department.

AUDIT PURPOSE, SCOPE, OBJECTIVES, AND METHODOLOGY

Audit Purpose

This audit was performed under the Office of the Auditor General's (OAG) Charter mandate to audit financial transactions of all City agencies. We performed the audit of the Communications and Creative Services Department's control procedures to test their adequacy to properly record transactions of payroll, cash receipts, voucher disbursements, fixed assets, imprest cash; compliance with year-end closing procedures; and to make any recommendations, if warranted, to improve the agency's control procedures.

Audit Scope

We performed an assessment of the Communications and Creative Services Department's control procedures for transactions of payroll, cash receipts, voucher disbursements, fixed assets, imprest cash, and year-end closing procedures and determined there are certain weaknesses in the system of control. We focused our audit on the status of the prior audit findings and the weaknesses discovered during the assessment.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external quality review of the Office of the Auditor General within the last three years.

Audit Objectives

Our audit of the Communications and Creative Services Department had the following objectives:

1. To assess the Communications and Creative Services Department's internal controls relating to:
 - i. Current financial operations, and
 - ii. Compliance with policies, plans, procedures, laws and regulations.
2. To determine whether the Communications and Creative Services Department has adequate internal accounting controls.
3. To determine whether the Communications and Creative Services Department implemented the prior audit recommendations or otherwise resolved the findings.

Audit Methodology

To accomplish the audit objectives, our audit work included the following:

- We reviewed City directives, policies, and procedures, and interviewed Communications and Creative Services Department personnel to gain an understanding of the Department's internal controls.
- We evaluated internal controls for payroll, cash receipts, voucher disbursements, fixed assets, and imprest cash.
- We examined a judgmental sample of transactions that we considered satisfactory to achieve our objectives.

BACKGROUND

The Communications and Creative Services Department was established to inform the public about changes, progress, developments and problems involving municipal services.

The Communications and Creative Services Department develops public relations programs for City departments; stimulates interest in City government; provides consulting services; arranges public ceremonies, events, and news conferences; prepares news releases, resolutions, proclamations and awards; designs and prepares publications; and provides the writing, photographic and video graphics and printing services for City departments.

The Department prepares and prints a variety of pamphlets and other literature describing the services that City departments provide to the public. The Department also provides informational and promotional literature on the City in general and its major activities and attractions. Generally, this literature is available at no cost through the specific departments for which it is prepared.

Revenue and expenditures of the Communications and Creative Services Department are presented in the Comprehensive Annual Financial Report (CAFR) of the City of Detroit as part of the General Fund. Budgeted appropriations totaled \$2.5 million for the 2001-2002 fiscal year, with a budgeted staff level of 21. For the 2002-2003 fiscal year, budgeted appropriations were \$2.3 million with a budgeted staffing level of 20.

STATUS OF PRIOR RECOMMENDATIONS

Our previous report on the Communications and Creative Services Department for the two years ended June 30, 1995 contained two recommendations. One recommendation has been dropped and one recommendation is no longer applicable.

Dropped

The recommendation to comply with the City's cellular telephone policy has been dropped due to the immateriality of annual expenses.

No Longer Appropriate or Applicable

The recommendation for the Detroit Cable Commission to strengthen the control for cash receipts, and to recalculate the franchise fees for correctness is no longer applicable as a finding for the Communications and Creative Services Department, as the Detroit Cable Commission is no longer a part of the Department. Effective July 1, 1996, the Detroit Cable Commission's revenue and appropriations are reported as part of Agency No. 35, Non-Departmental.

CONCLUSION

Further review of the Communications and Creative Services Department's control procedures revealed no material weaknesses in the system of internal control. However, the following instances of noncompliance with established City policy pertaining to imprest cash and fixed assets, were noted:

1. The Communications and Creative Services Department did not perform an audit of its imprest cash fund at least once every three months, as required by the City's Imprest Cash Manual.
2. The Communications and Creative Services Department has not conducted an annual physical inventory count of its capital assets in over two years. The City of Detroit Finance Department's Capital Asset Policy Guide establishes that each department shall conduct an annual physical count of its capital assets. This process also includes the update and retention of accurate records of the agency's assets.

While the Department should implement procedures to correct the above conditions to ensure compliance with City policy, we compliment the Communications and Creative Services Department's effort and we encourage the Department to maintain its level of due diligence in adherence to policy and procedure.